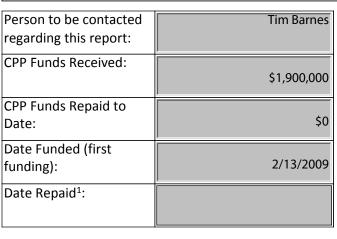
## **ANNUAL USE OF CAPITAL SURVEY - 2009**

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

## Hometown Bancshares, Inc./Hometown Bank



RSSD: (For Bank Holding Companies)	2955300
Holding Company Docket Number: (For Thrift Holding Companies)	n/a
FDIC Certificate Number: (For Depository Institutions)	35455
City:	Corbin
State:	Kentucky

<sup>&</sup>lt;sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

	X		\$1.403 was associated with charged off loans or moving loans to OREO. The CPP funds allowed the bank to be activity in seek loan growth.
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	To the extent the funds supported	
	increased lending, please describe the	
	major type of loans, if possible	
	(residential mortgage loans, commercial	
	mortgage loans, small business loans,	
	etc.).	
	etc.j.	
_	Increase securities purchased (ABS, MBS,	
	etc.).	
	etc.j.	
X	Make other investments	The bank opened a new location in Barbourville, KY in September 2008 and the CPP funds allowed
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X	Reduce borrowings	Federal Loan Bank Advances were reduced by \$500,000 from 2/13/09, the CPP funding date, to year
		end 2009. Holding company debt was reduced by \$155,000.
_	Increase charge offs	The bank had increased charge off in 2000 which totaled \$427/ OPEO and OPA also increased
X	Increase charge-offs	The bank had increased charge off in 2009 which totaled \$427K. OREO and ORA also increased.
	Purchase another financial institution or	
	purchase assets from another financial institution	
	institution	
$\overline{x}$	Held as non-leveraged increase to total	Of the \$1.9M in CPP funding, \$750,000 was injected into bank by holding company as capital. The
	capital	balance off the funds were held as future capital injections.

What actions were you able to avoid because of the capital infusion of CPP funds?
Hometown Bank was able to continue to grow by approximately \$2.2 million from February 2009 to March 2010 due to the cash injection from the holding company while increasing capital from 7.94% at 2/28/09 to 8.51% at 3/31/10. Hometown Bank was actively seeking loan growth in 2009 which would not have been possible without the CPP funding. Due to the CPP funds, the holding company was not forced into an additional capital sale in a down market.

Hometown Bank would have taken steps to reduce loans and deposits in an effort to reduce total assets and build capital if the bank di the CPP funds. Total reduction in assets would have been approximately \$3.5M based upon keeping capital levels greater than 8.0%. I loan growth would have been at a minimum.	d not receive The desire fo

he CPP funds allowed Hometown Bank to seek loan growth and deposit growth at our new Barbourville location which now serves as host to the ank's secondary mar

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.